

## HOUSING DEPARTMENT

### Impact Analysis Report

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#### **OVERVIEW**

The Housing Department is responsible for the collection of fees related to the Rental Rights and Referrals Program and also for the collection of inclusionary fees. Inclusionary fees support the production of affordable housing units. Housing developments in Redevelopment Project Areas or other specially-designated areas require a portion of the housing units to be affordable to low- or moderate-income households. In limited circumstances, developers may choose to pay an “in-lieu” fee instead of building the required affordable units in their project. This fee is also paid for fractions of units that must be provided under the development requirement. The inclusionary fee is based on an estimate of the cost to the City to subsidize the construction of an affordable rental/owner unit. The Housing Department is evaluating the in-lieu fee structure and in June 2007, will be bringing forward recommendations for a revised formula via a joint City Council Memorandum with the San José Redevelopment Agency. As a result, no fee changes are recommended in this document. It should be noted that estimated revenues associated with these fees are not included on the following fee schedule due to the volatility of the housing market.

The Rental Rights and Referrals Program fees are collected from rental units covered by the Rent Control Ordinance and the Mobilehome Rent Control Ordinance. In 2002-2003, the fee structure was adjusted to \$9.09 for

rent-controlled apartments, \$6.26 for mobilehomes, and \$0.50 for non-rent control units. The fees were set at an amount to cover the estimated costs of providing the Program services, which include mediation services to settle tenant-landlord disputes, information and referral services, and outreach and education services.

In recent years, rental rates for apartments have been somewhat lower than in the preceding years, and this directly contributed to a decreased demand for mediation services. Lower costs for mediation services, in addition to decreased staffing costs, have contributed to the accumulation of a reserve from rent-controlled apartment fees. It is therefore recommended that the fee for rent-controlled apartments be suspended for one year, during which time the program costs for services to apartment tenants and landlords will be paid from the accumulated reserve.

During 2007-2008, a thorough analysis of the costs of each category within the Rental Rights and Referrals Program, including staff time devoted to each of the three program areas, will be utilized to develop a recommendation for the fee structure for 2008-2009 that will make each segment of the program 100% cost recovery.

## **HOUSING DEPARTMENT (CONT'D.)**

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### ***SUMMARY OF PROPOSED FEE REVISIONS***

#### **Existing Fees**

As previously discussed, the apartment fee for the Rental Rights and Referrals Program is proposed to be suspended in 2007-2008. These fees, which have been assessed at a rate of \$9.09 per apartment, have accumulated a substantial reserve (\$640,000). As a result, the fee will be reassessed in 2007-2008 and a revised fee structure may be proposed in 2008-2009.

### ***NOTIFICATION***

General public notice of the proposed fee changes will be provided through published Council hearing dates and a minimum of ten days for public review of the 2007-2008 Proposed Fees and Charges Report.

## DEPARTMENTAL FEES AND CHARGES

## HOUSING

Service	2006-2007 Adopted Fee	2006-2007 % Cost Recovery	2007-2008 Proposed Fee	2007-2008 Estimated Cost	2007-2008 Estimated Revenue		2007-2008 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
MULTI-SOURCE HOUSING FUND - CATEGORY I								
1. Rental Dispute Mediation								
1 Apartment Unit	\$9.09 annually	74.9%	\$0 annually (Fee suspended for one year)	578,714	377,889		65.3%	
2 Mobile Home Unit	\$6.26 annually		No Change	84,200	64,647	64,647	76.8%	76.8%
3 Non-Rent Controlled Apartments	\$0.50 annually	19.7%	No Change	11,500	11,319	11,319	98.4%	98.4%
Sub-total Rental Dispute Mediation		80.8%		674,414	453,855	75,966	67.3%	11.3%
SUB-TOTAL MULTI-SOURCE HOUSING FUND - CATEGORY I		80.8%		674,414	453,855	75,966	67.3%	11.3%

### MULTI-SOURCE HOUSING FUND - CATEGORY II

#### 1. Inclusionary Fees

Note: Due to the volatility of the housing market, it is difficult to estimate the amount of inclusionary fees developers would pay.

1 Ownership Alternative Restricted Unit to be Developed Outside a Redevelopment Project Area	\$130,000 per unit		No Change					
2 Ownership Alternative Restricted Unit to be Developed within a Redevelopment Project Area	\$65,000 per unit		No Change					
3 Rental Alternative Restricted Unit to be Developed Outside a Redevelopment Project Area	\$142,800 per unit		No Change					

# DEPARTMENTAL FEES AND CHARGES

# HOUSING

Service	2006-2007 Adopted Fee	2006-2007 % Cost Recovery	2007-2008 Proposed Fee	2007-2008 Estimated Cost	2007-2008 Estimated Revenue		2007-2008 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
MULTI-SOURCE HOUSING FUND - CATEGORY II								
1. Inclusionary Fees								
4 Rental Alternative Restricted Unit to be Developed within a Redevelopment Project Area	\$71,400 per unit		No Change					
2. Rental Mediation Penalty: Apartments								
1 30 days past due = 25% of principal	Penalties and interest assessed for delinquent permit payment		No Change					
2 60 days past due = 50% of principal	Penalties and interest assessed for delinquent permit and payment		No Change					
3. Rental Mediation Penalty: Mobile Homes								
1 30 days past due = 10% of the amount of the fee	Penalties and interest assessed for delinquent permit payment		No Change					
SUB-TOTAL MULTI-SOURCE HOUSING FUND - CATEGORY II								
TOTAL DEPARTMENT - NON-GENERAL FUND				674,414	453,855	75,966	67.3%	11.3%
TOTAL DEPARTMENT - Category I				674,414	453,855	75,966	67.3%	11.3%
TOTAL DEPARTMENT - Category II								
TOTAL DEPARTMENT				674,414	453,855	75,966	67.3%	11.3%